# GOVERNMENT OF INDIA
# CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
# LOK SABHA

UNSTARRED QUESTION NO:246
ANSWERED ON:01.03.2002
DECONTROL OF SUGAR INDUSTRY
GADDE RAMAMOHAN

**Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:**

(a) whether the Union Government have proposed for total decontrol of the sugar industry;

(b) if so, the reasons and details thereof;

(c) the time by which a final decision is likely to by the Government in this regard;

(d) whether the recommendations made by the Mahajan Committee have been examined by the Government; and

(e) if so, the details of the recommendation which have been accepted by the Government and which have not been accepted by the Government alongwith the reasons therefor ?

## Answer

THE MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION V.SREENIVASA PRASAD)

(a),(b)&(c): Yes, Sir. The Government has decided to effect complete decontrol of sugar after the operationalization of future/forward trading in sugar during 2002-2003 financial year.

(d)&(e): Yes, Sir. The Government has examined all the recommendations of the Mahajan Committee. The Committee had made 167 recommendations (including sub-recommendations). Of these, 75 recommendations have been accepted wholly or partly or with modification. The recommendations of the Committee relating to decontrol of sugar are contained in recommendations No. 3 to 6. A statement indicating details of these recommendations and gist of the Government decision thereon is enclosed.

STATEMENT REFERRED TO IN REPLY TO PART (d)&(e) OF UNSTARRED QUESTION NO. 246 DUE FOR ANSWER ON 01-03-2002 IN THE LOK SABHA.

Recommendation Nos. 3 to 6

Recommendation No. 3: The Committee recommends complete decontrol of sugar. Decontrol may, however, be phased over a period of two years. From the beginning of the Sugar Season following the date of announcement of the policy, the percentage of levy sugar may be reduced to 20%, which may be continued at the same rate during the next Sugar Season and from the beginning of the subsequent Sugar Season the levy may be completely abolished.

Recommendation No. 5: supply of sugar through PDS may be discontinued when complete decontrol becomes effective. The subsidy at present allowed in supply of sugar through PDS can be distributed among the beneficiaries by adding to the subsidy at present allowed on foodgrains.

Recommendation No. 6: If Government wishes to continue sugar under PDS, the required quantity may be purchased from industry/trade by tendering or at fixed prices from the Mills. Additional subsidy outgo would be offset by higher excise collection on levy quota converted as free sale. If shortfalls still continue, the balance may be met by increasing excise duty to the required level.

Gist of decision on Recommendation Nos. 3,5 and 6:

`Government has already reduced the percentage of levy sugar from 40% to 30% with effect from 1.1.2000. Government cannot agree on any time frame for further decontrol as recommended by the Committee as this depends upon the restructuring of the PDS of which sugar is an essential part. Further reduction of levy percentage and alternative methods of meeting the requirement for distribution of sugar under the PDS are all linked to the restructuring of PDS`.

Recommendation No. 4: Control on releases should continue even after complete decontrol of prices.

Gist of decision on Recommendation No. 4:

`The Mahajan Committee has made a distinction between decontrol of the sugar industry and decontrol of prices, the latter being restricted to the system of levy obligation from the sugar mills. Government does not accept the recommendation that control on releases should continue without any time limit. Government is committed to phased decontrol of sugar industry and that the process of phased decontrol will have to be effected in a manner so as to avoid any destabilization of the sugar industry and the prices and should be accompanied by a number of steps including establishment of a forward/future market for sugar to achieve long term price stabilization.`